USDA Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Template Version 2.09

Required Report - Public distribution

Date: 2/29/2008

GAIN Report Number: KS8011

Korea, Republic of

Livestock and Products

Semi-Annual

2008

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Report Highlights:
Imports of beef are projected to remain stable in 2008 at 310,000 metric tons. Increases in domestic inventory will alleviate some of the unmet demand for animal protein. Lower international pork prices in the United States and increasinly lower tariffs for Chilean pork will make imported pork and pork products more price competitive this year. Total imports of pork are forecast at 452,000 tons, an increase of 2.5 percent from 2007. The domestic livestock industry is facing higher feed prices this year and will likely increase slaughter rates from those initially forecasted.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
Seoul [KS1]
[KS]

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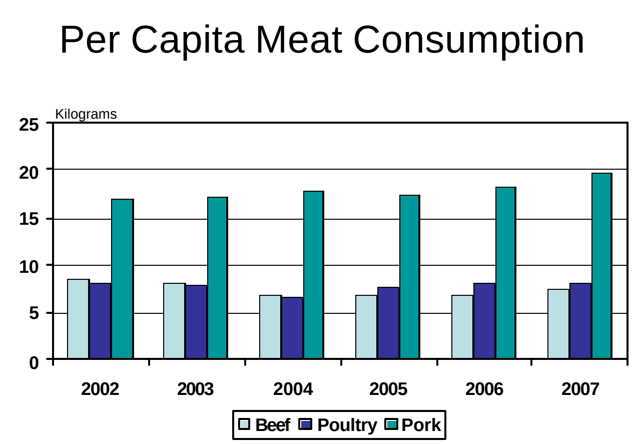
SECTION I. SITUATION AND OUTLOOK

The political landscape in Korea is changing. On February 25, a new conservative president, Lee Myung-bak, was sworn into office after 10 years of liberal rule. During his campaign the new president made a "747" jumbo election pledge to revive Korea's economy by achieving seven percent annual growth, per-capita national income of $40,000 and making Korea the world's seventh largest economy in 10 years. Currently, exports are still strong, but the world economy is slowing and Korea may begin to feel the effects in the second half of this year. Imports are forecast to rise considerably this year due to high oil, grain and raw material prices. As a result, the economic forecast for 2008 is expected to be just under five percent.

With a new president, comes a new government. The new Minister for Food, Agriculture, Forestry & Fisheries (MIFAFF),, Jung Un-chun (also spelled Chung Woon-chun) has stated that "the country's agriculture policy should no longer be passive and protective, but instead should be proactive and aggressive." As a result, Jung's nomination drew mixed reviews from rank-and-file farmers. The new Minister is likely to deal with the beef issue, while at the same time explore ways to provide additional debt relief to farmers in order to gain their support for the Korea-U.S. free trade agreement.

Imports of beef are projected to remain stable in 2008; although the forecast was dropped slightly on account of higher slaughter rates. This increase in domestic production will result in a 5 percent increase in consumption compared to last year. The unmet demand for beef in Korea is quite high given that per capita consumption in 2007 (7.5 kg) is still below the 2003 level (8.1 kg) and well below the level in the United States (about 30.5 kg).



Increased swine slaughter in 2008 resulting in higher expected domestic production is the main reason that the forecast for pork imports was lowered. Imports of pork will increase year on year due to lower international prices. Increased U.S. swine production and the steady decline in tariff rates for Chilean pork will make imported pork more price competitive this year. The demand for pork, even though it is at record levels (19.7 kg), probably still has room for growth.

Domestic prices for live cattle and swine depend on slaughter rates. Higher prices for imported corn and soybeans, ingredients used locally in compound livestock feeds, will increase costs for the farmer. Judging by past history, farmers are likely to sell off their cattle at higher rates if their costs increase. Higher slaughter rates will result in lower live animal prices and lower wholesale prices for beef and pork; however, this does not necessarily translate into lower retail prices for the consumer. Retail prices tend to remain stable, changing only when external pressures force retailers to lower their prices. Absent U.S beef, the price of imported beef will increase as the higher costs of production in exporting countries are passed on to buyers.

SECTION II. BEEF STATISTICAL TABLES

PS&D for Cattle

PSD Table									
Country	Korea, Republic of								
Commodity	Animal Numbers, Cattle						(1000 HEAD)(PERCENT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Total Cattle Beg. Stks	2298	2298	2298	2484	2484	2484	2700	2700	2654
Dairy Cows Beg. Stocks	274	274	274	266	266	266	257	257	258
Beef Cows Beg. Stocks	675	675	675	762	762	762	800	800	821
Production (Calf Crop)	818	818	818	860	860	858	880	880	999
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	3	3	3	1	1	1	1	1	1
Total Imports	3	3	3	1	1	1	1	1	1
Total Supply	3119	3119	3119	3345	3345	3343	3581	3581	3654
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Cow Slaughter	273	273	273	280	280	308	295	295	331
Calf Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	357	357	357	360	360	376	380	380	418
Total Slaughter	630	630	630	640	640	684	675	675	749
Loss	5	5	5	5	5	5	5	5	5
Ending Inventories	2484	2484	2484	2700	2700	2654	2901	2901	2900
Total Distribution	3119	3119	3119	3345	3345	3343	3581	3581	3654
CY Imp. from U.S.	0	0	0	0	0	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0

PS&D for Beef

PSD Table									
Country	Korea, Republic of								
Commodity	Meat, Beef and Veal						(1000 HEAD)(1000 MT CWE)(P		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Slaughter (Reference)	630	630	630	640	640	684	675	675	749
Beginning Stocks	3	3	3	5	5	5	10	10	10
Production	200	200	200	205	205	219	214	214	240
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	298	298	298	315	315	308	320	320	310
Total Imports	298	298	298	315	315	308	320	320	310
Total Supply	501	501	501	525	525	532	544	544	560
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Human Dom. Consumpti	496	496	496	515	515	522	539	539	550
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	496	496	496	515	515	522	539	539	550
Ending Stocks	5	5	5	10	10	10	5	5	10
Total Distribution	501	501	501	525	525	532	544	544	560
CY Imp. from U.S.	1	1	1	30	30	20	60	60	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0

Korea: Cattle Slaughter Trend

Month	Total	Cows	Steers
	(Heads Slaughtered)		
Total 2006	630,457	273,453	357,004
Total 2007	683,856	307,589	376,267
January, 2007	62,784	25,840	36,944
February, 2007	71,452	29,824	41,628
March, 2007	45,216	19,712	25,504
April, 2007	48,971	21,995	26,976
May, 2007	52,049	22,613	29,436
June, 2007	45,510	21,269	24,241
July, 2007	48,348	22,976	25,372
August, 2007	52,976	24,333	28,643
September, 2007	84,012	38,613	45,399
October, 2007	55,636	26,496	29,140
November, 2007	N/A	N/A	N/A
December, 2007	N/A	N/A	N/A

1. Source: Ministry of Agriculture & Forestry (MAF)
2. Note: Due to statistical problems, MAF has determined not to release the monthly slaughter numbers for November – December, 2007. Instead, they only released the total annual slaughter number for 2007.

Korea: Live Hanwoo Beef Cattle Prices

(Won per head, Exchange rate is US$1=950 won)

Month/Year	Calf		600 Kg.	
	Female	Male	Female	Male *
2003 Average	3,242,000	2,610,000	5,819,000	4,688,000
2004 Average	3,226,000	2,246,000	5,219,000	4,256,000
2005 Average	3,266,000	2,344,000	5,340,000	4,651,000
2006 Average	2,801,000	2,259,000	5,291,000	4,251,000
2007 Average	2,305,000	2,133,000	4,965,000	4,751,000
January, 2007	2,878,000	2,321,000	5,480,000	4,607,000
February, 2007	2,857,000	2,331,000	5,468,000	4,682,000
March, 2007	2,720,000	2,259,000	5,369,000	4,735,000
April, 2007	2,304,000	2,068,000	4,960,000	4,620,000
May, 2007	2,197,000	2,060,000	4,786,000	4,598,000
June, 2007	2,251,000	2,158,000	4,790,000	4,782,000
July, 2007	2,267,000	2,167,000	4,782,000	4,814,000
August, 2007	2,145,000	2,055,000	4,707,000	4,763,000
September, 2007	2,018,000	2,040,000	4,691,000	4,873,000
October, 2007	2,061,000	2,093,000	4,847,000	5,006,000
November, 2007	2,046,000	2,094,000	4,922,000	4,942,000
December, 2007	1,980,000	2,000,000	4,904,000	4,762,000

Source: Ministry of Agriculture & Forestry
National Agricultural Cooperatives Federation

Note: These are average prices of non-castrated steers, which are very price elastic with respect to demand. Castrated steers are less price elastic with respect to demand but as they go directly to slaughter plants without going through the livestock market, they are not included in these figures. After the New Year, demand for beef, especially beef that is highly price elastic, drops significantly.

Korea: Hanwoo Cattle Inventory
(1,000 Household, 1,000 Head)

Month / Year	House-hold	Total Stock	By Age			Cow	
			Under 1 year old	1-2 year old	Over 2 year old	1-2 year old	Over 2 year old
Mar. 2003	191	1,337	484	325	528	141	504
Jun. 2003	190	1,423	529	349	545	152	521
Sep. 2003	189	1,464	551	355	558	156	533
Dec. 2003	188	1,480	546	366	568	157	543
Mar. 2004	189	1,521	536	389	596	163	569
Jun. 2004	189	1,627	586	409	632	172	600
Sep. 2004	189	1,667	602	416	649	176	617
Dec. 2004	189	1,666	609	409	648	177	617
Mar. 2005	191	1,654	603	397	654	184	622
Jun. 2005	192	1,757	646	427	684	192	647
Sep. 2005	193	1,825	671	448	706	198	670
Dec. 2005	192	1,819	657	452	710	203	675
Mar. 2006	192	1,836	640	463	733	212	695
Jun. 2006	192	1,959	702	481	776	217	732
Sep. 2006	191	2,021	722	491	808	216	755
Dec. 2006	190	2,020	707	498	815	218	762
Mar. 2007	190	2,043	699	508	836	227	777
Jun. 2007	191	2,179	762	536	881	235	816
Sep. 2007	188	2,220	777	552	891	243	823
Dec. 2007	184	2,201	751	560	889	240	821

Source: National Agricultural Products Quality Management Service

Note: Total animal numbers may not add up, due to rounding.

Korea: Beef Imports
($000 and Metric Tons)

Country	2006		2007		Percent Change (%)	
	Value	Volume	Value	Volume	Value	Volume
U.S.A.	30	8	94,024	14,112	313,413	176,400
Australia	624,272	162,784	683,030	160,921	9	-1
New Zealand	150,568	44,506	147,068	40,418	-2	-9
Mexico	17,585	5,478	15,278	4,156	-13	-24
Netherland	16	5	0	0	-100	-100
Total	792,471	212,781	939,400	219,607	19	3

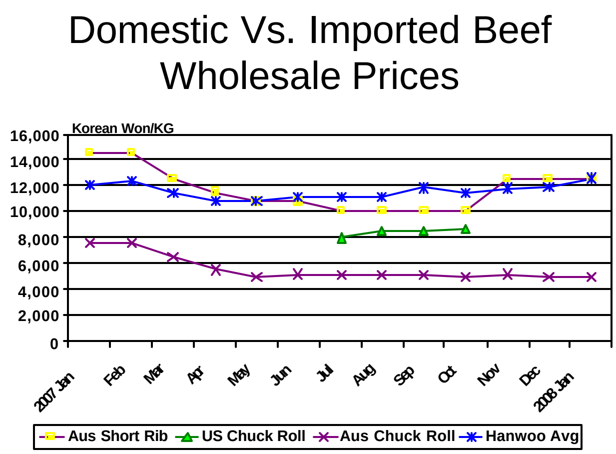
Source: KOTIS
Product Weight Equivalent basis.

SECTION III. BEEF AND BEEF PRODUCTS

Production

Inventory levels are expected to remain high regardless of whether or not U.S. beef returns to the market in 2008. Korea's total cow beginning stock levels in 2008 are five percent higher than those compared to this same time last year. High cow numbers will permit farmers to increase their herd sizes in 2008. In addition, 595,000 head of Hanwoo were artificially inseminated in the second half of 2007, an increase of 19.7 percent from the same period in 2006. With such high insemination rates and beginning stock levels, the total inventory is not expected to come down until at least 2009.

The conclusion of the KORUS FTA negotiations in early April 2007 and the brief resumption of U.S. beef imports that began in April 2007 after the bone chip issue was partially resolved had a huge impact on domestic beef prices. Live cow prices dropped over four percent from an average of 4,960,000 won (about $5,221, at an exchange rate of US$1=950 won) per head in April 2007 to 4,786,000 won (about $5,038) in May 2007, after the arrival of the first beef shipment on April 23, 2007. This decline continued until U.S. beef was shut off again on October 5, 2007. Since then, however, prices have begun to move upward again.



Source: U.S. Meat Export Federation/Korea and the National Agricultural Cooperative Federation

The price drop provoked farmers to sell off their stock and send cattle to slaughter. During the four month period (May-August) after U.S. beef imports resumed and prior to the Korean Thanksgiving Holidays (October), beef cattle slaughter jumped 6.7 percent in 2007 compared to the same period in 2006. The cow-steer slaughter ratio jumped to 45.9:54.1 during this four-month period, compared to 44.7:55.3 during the same period in 2006 and the 2006 annual average ratio of 43.3:56.7. Despite the short-term panic, Korea still maintains a very high level of Hanwoo inventory; however increased feed grain prices will have a direct effect on production costs and in the long run will cause less competitive farmers to stop producing cattle.

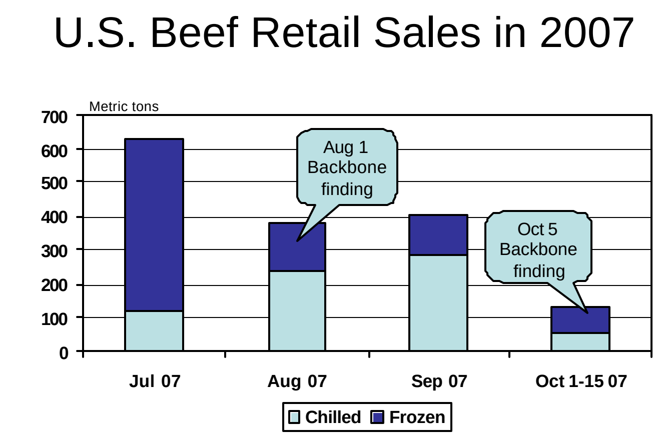
Korea was recognized by the World Organization for Animal Health (OIE) as being free from Foot & Mouth Disease (FMD) in 2002. Korea has requested that other countries, including the United States recognize its OIE status.

Korea's beef self-sufficiency ratio has increased from 36.1 percent in 2003 to 46.9 percent in 2007; however, this is not because of an increase in production but rather a drop in consumption. The high price of beef in Korea has resulted in decreased demand for all beef, domestic and imported. When U.S. beef enters the market, as seen in 2007, the effect is more competition, more choice and lower prices for consumers resulting in increased demand that may actually be beneficial to the domestic industry. Increased availability of beef does not replace current suppliers, it expands the whole market. There is a market for Hanwoo beef that will remain even if U.S. beef is present; but not all consumers can eat Hanwoo beef given the cost. After the market was liberalized in 2000, Hanwoo production did not go away and even in 2007, with some U.S. beef available, Hanwoo sales actually increased and production grew.

Consumption

Beef consumption is projected to continue to increase in 2008 as it did in 2007 due to higher domestic production. Prices dropped slightly in 2007 due to the availability of U.S. beef from May to October and this contributed to an increase in consumption of beef from all origins.

Korean consumers are still concerned about the safety of U.S. beef. The chart of U.S. beef retail sales shows that with each finding of backbone, sales dropped. According to a recent survey, 85.5 percent of consumers stated that they worry about the safety of U.S. beef.

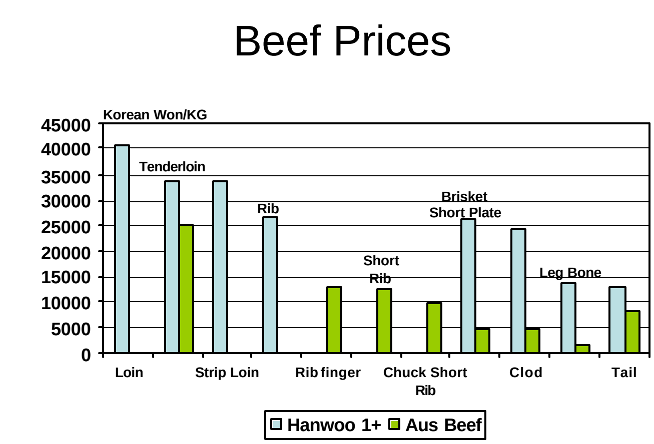


Source: U.S. Meat Export Federation/Korea

According to the Ministry of Agriculture and Forestry (MAF), Korean consumers purchased beef 1.59 times per month in 2007 (up from 1.53 times per month in 2006) and spent an average of 36,100 Korean won per purchase (up from 27,980 Korean won in 2006). Consumers seem to be willing to spend more to purchase beef than they are to purchase pork or poultry. In addition, MAF is providing support to livestock producers to develop brands that provide consumers with more information about the meat they are buying. The awareness of brands is growing. In 2007, 34.5 percent of consumers said they were aware of beef brands, a marginal increase from 34.4 percent in 2006. In a recent survey, over half stated that they were willing to pay an additional 5-10 percent more for a branded meat product.

Very little beef is consumed in the form of processed meat in Korea and virtually all beef is purchased for direct cooking, either in the form of Korean barbeque, soup, and other Korean dishes. Only 600 tons of imported beef rounds from Australian and New Zealand are processed into beef jerky by a domestic company.

The most popular cuts of beef are bone-in short ribs, loins and chuck rolls. Short ribs are consumed mainly for Korean barbeque or kalbi. Loins are also used for Korean barbeque while chuck roll is used for making bulgoki, shaboo shaboo and steak. As Koreans like to barbeque their beef, well marbled beef receives higher prices over lean meat. Also, as consumers are accustomed to grain-fed beef, they prefer such beef over grass-fed. Thus, Australia which used to supply grass-fed beef is now switching to grain-fed beef. Grass-fed beef is often marinated in order to



Source: U.S. Meat Export Federation/Korea cover the grass flavor that Koreans do not like. There is also a preference for fresh chilled beef rather than frozen beef. During the period when U.S. beef was banned, not only did the total amount of short rib imports drop, but Australian clod replaced chuck rolls for bulgoki.

Trade

Total imports of beef and beef products in 2008 are forecast at 310,000 metric tons (carcass weight equivalent). Since a commercially viable protocol for U.S. beef currently does not exist, this report makes no projection regarding imports of U.S. beef. Therefore, imports of beef from current sources are projected to remain stable from last year. The current 2008 forecast is down from the previous 2008 forecast when it was expected that a small amount of U.S. boneless beef would be imported.

The total beef import market has never really returned to the level prior to the ban on U.S. beef at the end of December 2003. Despite aggressive marketing of grain fed beef by Australia, total beef imports are still far below the 2003 level.

U.S. Beef Imports

Before the BSE ban was imposed at the end of 2003, beef was the top U.S. agricultural export to Korea and Korea was the third largest beef market for the United States. A beef protocol for deboned skeletal muscle meat was established in January 2006 and after an audit of all 36 plants eligible to export by the Korean quarantine authorities, the market was theoretically opened in September 2006. After three successive shipments, each one rejected due to bone fragment findings; Korea published slightly less onerous inspection procedures in March 2007. The new procedures indicated that all shipments would be subject to 100% inspections with x-ray machines, but that the rejections will only be limited to the box and not the entire shipment. These new inspection procedures enticed U.S. exporters to begin shipping boneless U.S. beef. On August 1, a vertebral column finding, a bone that Korea considered specified risk material (SRM) resulted in a quarantine inspection suspension for one month. This suspension was lifted on August 24; however, it was reinstated on October 5 when another vertebral column was found. This latest suspension is anticipated to remain until a bone-in protocol is negotiated. There is about 5,000 tons of beef that is in the bonded area; this beef has arrived, but has not been inspected.

Chronology of U.S. Beef Imports in 2007	
March 8	Korea institutes new measures which allows for partial rejection of a shipment when bone chips are detected.
April 1	Korea-U.S. Free Trade Agreement negotiations are concluded.
April 23	First shipment of U.S. beef arrives after the new March 8 measures.
May 30	Whole rib bones are found. The plant is suspended.
June 4	Beef intended for domestic consumption is shipped to Korea. Korea suspends quarantine inspection.
June 8	Korea lifts the quarantine inspection suspension.
June 28	The United States requested a revision of the current health protocol based on the World Organization for Animal Health (OIE) classification of the United States as a controlled risk country for BSE.
June 30	The Ministry of Agriculture conducts an on-site visit of U.S. facilities as part of their import risk assessment process.
July 13	One major discount store in Korea with 54 branches begins selling U.S. beef.
July 16	Whole bones are found. The plant is suspended.
July 19	Whole bones are found. The plant is suspended.

July 20	The largest discount store in Korea with 107 branches begins selling U.S. beef.
July 31	Whole bones are found. The plant is suspended.
August 1	Over 80 percent of all major retails stores in Korea are now selling U.S. beef.
August 1	Back bone (or a part of the vertebral column) is found. A quarantine inspection suspension stops all imports.
August 24	The suspension is lifted.
September 4	Whole bones are found. The plant is suspended.
September 6	Whole bones are found. The plant is suspended.
September 12	Whole bones are found. The plant is suspended.
October 5	Back bone (or a part of the vertebral column) is found. A quarantine inspection suspension stops all imports.
October 11	Technical consultations result in no agreement.

Beef Tariffs and the Korea-U.S. Free Trade Agreement

The Korea-U.S. free trade agreement was concluded on April 1, 2007; however, neither the Korean National Assembly nor the U.S. Congress has ratified the agreement. Although the continued quarantine inspection suspension limits the ability of the United States to ratify this agreement, it does have some significant benefits for U.S. red meat exporters.

Korean tariffs on imports of beef muscle meats will decline to zero from the current 40 percent tariff in 15 equal annual reductions. A trade level similar to Korea's average imports from 2001 to 2003 of 182,800 metric tons of U.S. muscle meats valued at $569 million; implementation of the Korea-U.S. free trade agreement translates into a tariff savings of $15 million in year one of the agreement. Once tariffs are completely phased out, the annual tariff savings will be an estimated $1,300 per ton.

The agreement does includes a quantity safeguard of 270,000 tons for beef muscle meats, growing at a compound 2-percent annual rate to a final safeguard level of 354,000 tons in 15 years. In year 16 and beyond, safeguards will no longer apply. In 2003, the United States exported a record 224,000 metric tons of beef to Korea. This amount is still far below the trigger level in year one.

Korean tariffs on beef offal also decline in 15 equal annual reductions from their current 18- or 17-percent levels.

Agricultural Safeguard Measures
for Fresh, Chilled and Frozen Beef Muscle Meats

Year	Trigger Level (metric tons)	Safeguard Duty (percent)
1	270,000	40.0
2	276,000	40.0
3	282,000	40.0
4	288,000	40.0
5	294,000	40.0
6	300,000	30.0
7	306,000	30.0
8	312,000	30.0
9	318,000	30.0
10	324,000	30.0
11	330,000	24.0

12	336,000	24.0
13	342,000	24.0
14	348,000	24.0
15	354,000	24.0
16	N/A	0

Note: This safeguard applies to the following HS Codes: 0201.10.0000, 0201.20.0000, 0201.30.0000, 0202.10.0000, 0202.20.0000 and 0202.30.0000.

SECTION IV. PORK STATISTICAL TABLES

PS&D for Swine

PSD Table									
Country	Korea, Republic of								
Commodity	Animal Numbers, Swine						(1000 HEAD)(PERCENT)		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Total Beginning Stocks	8098	8098	8098	8518	8518	8518	8754	8754	8742
Sow Beginning Stocks	966	966	966	1012	1012	1012	1000	1000	1004
Production (Pig Crop)	13943	13943	13943	14564	14564	14423	14445	14445	14300
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	2	2	2	2	2	0	1	1	0
Total Imports	2	2	2	2	2	0	1	1	0
Total Supply	22043	22043	22043	23084	23084	22941	23200	23200	23042
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0	0	0	0
Total Exports	0	0	0	0	0	0	0	0	0
Sow Slaughter	0	0	0	0	0	0	0	0	0
Other Slaughter	13003	13003	13003	13800	13800	13674	14200	14200	14222
Total Slaughter	13003	13003	13003	13800	13800	13674	14200	14200	14222
Loss	522	522	522	530	530	525	500	500	520
Ending Inventories	8518	8518	8518	8754	8754	8742	8500	8500	8300
Total Distribution	22043	22043	22043	23084	23084	22941	23200	23200	23042
CY Imp. from U.S.	1	1	1	1	1	0	0	0	0
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0

PS&D for Pork

PSD Table									
Country	**Korea, Republic of**								
Commodity	**Meat, Swine**						(1000 HEAD)(1000 MT CWE)(P		
	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		01-2006	01-2006		01-2007	01-2007		01-2008	01-2008
Slaughter (Reference)	13003	13003	13003	13800	13800	13674	14200	14200	14222
Beginning Stocks	237	237	237	213	213	213	195	195	178
Production	1000	1000	1000	1065	1065	1043	1095	1095	1085
Intra-EU Imports	0	0	0	0	0	0	0	0	0
Other Imports	410	410	410	450	450	441	475	475	452
Total Imports	410	410	410	450	450	441	475	475	452
Total Supply	1647	1647	1647	1728	1728	1697	1765	1765	1715
Intra EU Exports	0	0	0	0	0	0	0	0	0
Other Exports	14	14	14	15	15	13	15	15	15
Total Exports	14	14	14	15	15	13	15	15	15
Human Dom. Consumpti	1420	1420	1420	1518	1518	1506	1550	1550	1550
Other Use, Losses	0	0	0	0	0	0	0	0	0
Total Dom. Consumption	1420	1420	1420	1518	1518	1506	1550	1550	1550
Ending Stocks	213	213	213	195	195	178	200	200	150
Total Distribution	1647	1647	1647	1728	1728	1697	1765	1765	1715
CY Imp. from U.S.	60	60	60	120	120	116	0	0	120
CY. Exp. to U.S.	0	0	0	0	0	0	0	0	0

Korea: Swine Slaughter Trend
(Heads slaughtered)

Month	2005	2006	2007
January	1,204,480	1,097,161	1,184,987
February	1,021,101	1,028,827	1,047,452
March	1,206,810	1,168,568	1,160,290
April	1,150,498	1,048,863	1,122,314
May	1,060,529	1,053,980	1,163,446
June	1,025,568	965,178	1,050,478
July	980,309	912,035	1,059,486
August	1,125,131	1,069,813	1,074,119
September	1,099,372	1,177,298	1,000,408
October	1,161,294	1,088,255	1,271,663
November	1,250,229	1,234,869	N/A
December	1,179,126	1,157,704	N/A
TOTAL 1/	13,464,447	13,003,286	13,674,495

1. Source: Ministry of Agriculture & Forestry (MAF)
2. Note: Due to statistical problems, MAF has determined not to release the monthly slaughter numbers for November – December, 2007. Instead, they only released the total annual slaughter number for 2007.

Korea: Live Swine Prices
(Won per head, Exchange rate is US$1=950 won)

Annual Live Swine Prices		
Year	**Piglet**	**Swine (100 Kg)**
2003	53,000	164,000
2004	64,000	235,000
2005	92,000	253,000
2006	94,000	248,000
2007	85,000	221,000

Monthly Live Swine Prices				
	Piglet		**Swine (100 Kg)**	
Month / Year	**2006**	**2007**	**2006**	**2007**
January	94,000	90,000	254,000	226,000
February	94,000	90,000	246,000	221,000
March	95,000	90,000	238,000	213,000
April	95,000	89,000	244,000	218,000
May	97,000	89,000	291,000	226,000
June	100,000	87,000	316,000	259,000
July	99,000	86,000	275,000	243,000
August	96,000	84,000	249,000	228,000
September	94,000	83,000	233,000	229,000
October	87,000	82,000	185,000	201,000
November	86,000	78,000	205,000	189,000
December	89,000	77,000	233,000	197,000
January 2008	N/A	77,000	N/A	195,000

Source: Ministry of Agriculture & Forestry
National Agricultural Cooperatives Federation

Korea: Pork Imports
($000 and Metric Tons)

Country	2006		2007		Percent Change (%)	
	Value	Volume	Value	Volume	Value	Volume
U.S.A.	180,654	82,967	207,662	86,982	15	5
Canada	102,398	62,439	114,868	63,946	12	2
Chile	82,041	30,773	117,645	43,494	43	41
France	72,200	21,345	74,792	21,864	4	2
Belgium	63,016	20,214	58,240	17,475	-8	-14
Austria	38,056	12,516	52,536	14,867	38	19
Netherland	38,931	11,621	49,973	13,879	28	19
Spain	32,892	14,482	47,636	20,165	45	39
Denmark	42,235	19,497	47,069	20,308	11	4
Poland	32,091	12,289	35,681	14,774	11	20
Hungary	34,556	12,334	31,318	10,204	-9	-17
Other	22,288	10,760	25,431	10,728	14	0
TOTAL	741,358	311,237	862,851	338,686	16	9

Source: KOTIS
Product Weight Equivalent basis.

SECTION V. PORK AND PORK PRODUCTS

Production

Farmers are expected to reduce inventory in 2008 due to the drop in swine prices, increased feed prices, and increasingly stricter restrictions on manure treatment. The number of sows and live swine prices peaked in June 2007 causing record high swine inventory in September 2007. In response, live swine prices dropped 24.7 percent in January 2008 from the peak level in June 2007.

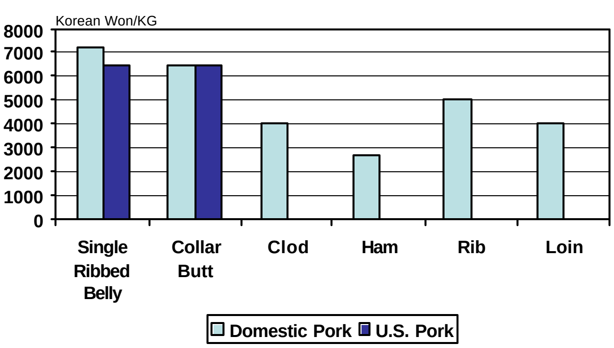
Feed production for rearing pigs in January 2008 dropped by 6.5 percent from its peak level in October 2007. This indicates that the inventory will continue to drop at least for the first half of 2008. The increase in slaughter is expected to come mostly from smaller farms (under, 1,000 heads). Inventory dropped by 53,397 heads in the last quarter of 2007, of which 92.6 percent was from the smaller farms. The larger farms that raise over 10,000 heads increased their herd size during this period.

Corn prices are projected to increase by 13 percent in 2008, according to the OECD. Corn accounts for 55.5 percent of the compound feed ratio for swine. The increase in corn prices is expected to raise compound feed prices by about 7-8 percent. The Korea Rural Economic Research Institute calculates that hog farm incomes drop by 2.27 percent when compound feed prices increase 1 percent.

Proposed new regulations may also have the effect of dampening production. The Ministry of Environment (ME) has proposed regulations that would require facilities, including hog farms, to install equipment to control odors. If this proposal is adopted, it is expected that the smaller, less profitable swine farms will not be able to afford such equipment and may go out of business. In addition, the Ministry of Marine Affairs & Fisheries (MOMAF) is placing restrictions on the amount of livestock manure that can be dumped in the open sea with the target of reducing this amount by 500,000 tons every year. As a result, manure disposal companies are expected to raise their prices by 24 percent in 2008, although increased fuel prices are also contributing to the rise in manure disposal prices. MOMAF has also proposed to implement a requirement in August 2008 that manure disposed in the open sea undergo residue testing for 25 different substances.

Consumption

Chilled Pork Prices



Source: U.S. Meat Export Federation/Korea

Koreans continue to eat pork at record levels and are expected to do so until the short beef supply situation is resolved. U.S. pork has a 26.5 percent market share and is sold primarily in the food service sector (65 percent), but also in the retail (25 percent) and processing (10 percent) sectors. The top imported cuts from the United States are Boston butts, Single Ribbed Bellies, and collar butts. Korean consumers prefer the fatty belly meat. According to MIFAFF, Korean consumers purchased pork 3.38 times per month (up from 3.34 times per month in 2006) and spent an average of 33,600 Korean won per month in 2007 (down from 35,960 Korean won in 2006). Pork prices dropped in 2007 due to increased slaughter.

As is the case with beef consumption, Koreans prefer to barbeque their pork, rather than eating processed pork. In 2006, only 12.1 percent of all pork consumed in Korea was processed. This is much lower than in the Japanese market where over 30 percent is processed and in Europe where over 70 percent is processed. In 2006, Korea produced a total of 132,599 tons of processed meat. Among this, 44,156 tons was for sausages, 58,520 tons was for ham and 27,157 tons was for canned meat and other miscellaneous types of processed pork. Despite the fact that Koreans' favorite cut is pork bellies, Korea produced only 2,756 tons of bacon in 2006, meaning that most pork bellies were barbequed. The processed pork manufacturer is very price sensitive and tends to switch easily among domestic and imported pork.

Pork casings used in the manufacture of sausages are mainly bovine casings imported from Japan; however, Korea still prohibits U.S. pork sausage producers to use the Japanese bovine casings when exporting sausages to Korea. The United States is working with the Korean government to resolve this problem.

The swine industry continues to suffer from livestock diseases. However, as these diseases are not transmittable to human beings, it has not affected the consumption of pork. Also, there has not been any major food safety related issues that would have an impact on pork consumption since 2000 when Korea last had an FMD outbreak.

Trade

In 2008, Korea will import slightly more pork than in 2007 due to the price competitiveness of U.S pork, which accounts for over a quarter of the imported pork market. Total imports of pork reached a record 440,291 tons (carcass weight equivalent) in 2007, an increase of about 9 percent from the previous year. Chile which is the second largest pork exporter to Korea on a value basis will continue to benefit from lower import duties originating from the Korea-Chile FTA. The duty for chilled pork from Chile will drop from 14.8 percent in 2007 to 12.6 percent in 2008. The duty for frozen pork will also drop from 16.7 percent to 14.3 percent during the same period.

If U.S. beef imports resume in 2008, it will have a major impact on the pork market (imports and domestic production) as pork is common a substitute for beef.

Domestic Beef and Pork Policy

The Ministry for Food, Agriculture, Forestry and Fisheries will be caring out various programs to provide support to the livestock sector. The following is a summary of the programs that will be implemented in 2008.

? Project for modernization of livestock farms: A total of 128.7 billion won (around $135.4 million) will go into this project in 2008. Among this amount, 20 percent will be government support, 60 percent will be a loan and the remainder 20 percent will be paid by the farmer. The goal of this project is to modernize the farms to reduce the animal loss and increase the productivity of the farm. In 2008, a total of 515 farms will be chosen for this program (200 Hanwoo farms, 150 swine farms, 75 chicken farms, 10 duck farms and 80 dairy farms).

? Support project for livestock manure treatment facility: The government plants to provide 96 billion won (around $101 million) to farmers and cooperatives for installing facilities for producing compost and liquid fertilizer and constructing liquid manure tanks.

With this budget, they will also provide support for constructing liquid fertilizer marketing centers and producing liquid manure spreaders.

? Beef traceability system to be fully implemented: Korea has completed its trial program for the beef traceability system and will enforce this program nationwide as of December 2008. People can insert the product code after visiting the beef traceability website and confirm where the beef came from. The following picture is a banner promoting the system.

? Establishment of livestock brand towns: In order to provide access to branded livestock products, the government will provide support for establishing livestock brand towns, where consumers can purchase, eat and enjoy agrotourism in one place by visiting this town. The Government is planning to establish two towns this year and provide support of 1.6 billion won (around $1.7 million) per town.

? Modernization of breeding farms: A total of 13.7 billion won (around $14.4 million) will go into this project in 2008. Among this amount, 70 percent will be provided as a loan (annual interest rate of 3%, 10 year repayment after a 5 year grace period) and the remaining 30 percent will be paid by the breeding farm. The goal of this project is to modernize the breeding farm to reduce the animal loss and increase the productivity of the breeding farm. In 2008, a total of 16 breeding farms will be chosen for this program (10 swine breeding farms, five chicken breeding farms, one duck breeding farm).

? Modernization of the calf auction market: A total of four calf auction markets will receive a loan of up to 500 million won each (around $526,000) for modernizing its facility. (annual interest rate of 3%, 5 year repayment after a 3 year grace period)

? Logistical support: The government will provide support for purchasing 110 trucks for moving livestock from farms to slaughterhouses in order to mitigate the stress on animals and eradicate animals being trucked in open trucks. A total of 6.5 billion won (about $6.8 million) has been budgeted for this program.

? Fostering of branded names: Korea will continue to provide support for livestock companies to promote branded products.

? Project for eradicating livestock diseases: Korea plans to spend 128.8 billion won (about $135.5 million) in eradicating livestock diseases. They will use this money for vaccination, purchase of equipment, monitoring livestock diseases and providing subsidies to farmers when there is a disease outbreak and they have to dispose of animals in an infected area.

Pork Tariffs and the Korea-U.S. Free Trade Agreement

Currently, frozen pork is subject to a 25 percent tariff and fresh or chilled pork is subject to a 22.5 percent tariff. Once the Korea-U.S. free trade agreement is implemented 90 percent of U.S. pork products will become duty-free on January 1, 2014 regardless of when the agreement actually starts. This includes all frozen and processed pork products. This date-certain duty-free access will allow U.S. pork exports to compete on a level playing field with other third country competitors, such as Chile.

Agricultural Safeguard Measures for Fresh, Chilled and Frozen Pork Muscle Meats

Year	Trigger Level (metric tons)	Safeguard Duty (percent)
1	8,250	22.5
2	8,745	22.5
3	9,270	22.5
4	9,826	22.5
5	10,415	22.5
6	11,040	15.8
7	11,703	14.6
8	12,405	13.8
9	13,149	12.4
10	13,938	11.3
11	N/A	0

Note: This safeguard applies to the following HS Codes: 0203.19.1000 and 0203.19.9000

Labeling

The Ministry for Health, Welfare and Family Affairs currently requires COOL at food service institutions larger than 300m^2 to display the country of origin for raw beef when it is used as the main ingredient in roasted meat dishes. Acceptable labeling methods include menus, displays and panels. This requirement has had limited impact since less than 4,000 establishments are larger than 300m^2. However, beginning July 1, 2008, this requirement will be expanded to include operations 100m^2 or larger. The Korean Restaurant Association (KRA), an organization representing most domestic restaurants, estimates that this change will impact about 20,000 restaurants. Furthermore, starting January 1, 2009, COOL for pork and chicken will become mandatory for restaurants 100m^2 or larger. There are more than 65,000 restaurants that fall into this category serving beef, pork or chicken. See KS8006 for more information COOL requirements.

Prior to 2003, small to medium sized restaurants (100m^2 to 300m^2) often used imported U.S. beef, but there was an assumption by consumers that the beef being sold was domestically produced beef. Labeling the country of origin may have the beneficial side effect of actually promoting U.S. beef at these restaurants. For this reason, the U.S. meat industry is not too concerned; however, more than just meat is subject to these new requirements and other commodity organizations feel it may negatively influence consumers. Actually it is the restaurant owners themselves that may feel the greatest burden because they may not have the flexibility to readily shift suppliers.

On January 1, 2007, the Korea Customs Service (KCS) implemented a COOL regulation for imported products that requires both inner and outer packages be labeled with a country of origin mark. KCS has agreed to allow the FSIS inspection shield, "U.S. Inspected and Passed" as an official country of origin designation. Since all U.S. meat exported to Korea bears this shield, there was no trade impact for U.S. meat products.

In March 2007, Korea implemented the Environmentally-Friendly Promotion Act (EFPA), which contains requirements for meat products labeled as "antibiotic free" or "organic". These requirements are intended to support the domestic pork and beef industries that are producing a limited volume of meat from animals raised without antibiotics, growth hormones, or other prohibited substances. The legislation also includes animal welfare requirements. The Korean government, unfamiliar with the FSIS ABF program, indicated that U.S. meat products could no longer be labeled as "antibiotic free" or "organic" since consumers would be unable to distinguish between FSIS certified product and domestic origin product qualifying for the EFPA certification. In late December 2007, FSIS sent a letter to the Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF), which included an overview of USDA's ABF requirements and requested that Korea accept ABF certified meat products from the United States. At that same time, a letter from AMS was forwarded to MIFAFF requesting recognition of USDA's organic certification program for meat products. MIFAFF is reviewing both requests and is expected to deliver a response shortly.

Korean Meat Cut Classifications

On September 11, 2007, Korea proposed a revision to the "Method for the Classification of Meat by Cut, Grade and Type." The reason given for this revision was to establish new sub primal cut names to reflect recent industry changes. Ten new cuts of beef and five new cuts of pork were added to Korea's positive list of allowable cuts. This notice serves to revise the Enforcement Regulations of the Livestock Law that had not been sufficiently enforced in the past.

In July 2007, as U.S. beef started to re-enter the Korean market again in larger quantities, Lotte Mart, the first large discount grocer to import U.S. beef, was sued by a local NGO group for mislabeling the beef. Lotte was using common names for boneless short ribs, boneless chuck short ribs and rib fingers that have been used in Korea for over 10 years. These items are produced in the United States mainly for the Korean market. The current and proposed regulations will disallow the continued use of these commonly known Korean-language names.

The new regulations now require the retailer to label these cuts either with the Korean nomenclature or the U.S. name. Since the U.S. cuts are not the same as the Korean cuts, they can not use the Korean nomenclature. The U.S. names are not well known and may create some confusion among Korean consumers.

Note:

Under the new Government Organization Act, dated February 29, 2008, most all government ministries changed names and functions. Several ministries were eliminated. Some changes are as follows:

- The Ministry of Agriculture and Forestry (MAF) is now the Ministry for Food, Agriculture, Forestry & Fisheries (MIFAFF),
- The Ministry of Marine Affairs & Fisheries (MOMAF) has been eliminated and those responsibilities were passed to MIFAFF.
- The Ministry of Health & Welfare (MHW) is now the Ministry for Health, Welfare and Family Affairs (MIHWAF)